



Senate

General Assembly

January Session, 2001

File No. 151

Senate Bill No. 1067

Senate, April 9, 2001

The Committee on Banks reported through SEN. MCDERMOTT of the 34th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING THE DISCLAIMER LANGUAGE THAT MAY BE USED IN THE PREPARATION OF FINANCIAL STATEMENTS BY PERSONS AND FIRMS THAT DO NOT HOLD VALID ACCOUNTING LICENSES AND PERMITS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 20-281g of the general statutes is repealed and the
2 following is substituted in lieu thereof:

3 (a) A person or a firm [which] that does not hold a valid license
4 [and] or permit issued under section 20-281b or 20-281d and section
5 20-281e shall not issue a report on financial statements of any other
6 person, firm, organization or governmental unit. This prohibition does
7 not apply to an officer, partner or employee of any firm or
8 organization affixing [his] a signature to any statement or report in
9 reference to the financial affairs of such firm or organization with any
10 wording designating the position, title or office that [he] such officer,
11 partner or employee holds therein; nor prohibit any act of a public
12 official or employee in the performance of [his] such official's or

13 employee's duties as such; nor prohibit the performance by any
14 persons of other services involving the use of accounting skills,
15 including the preparation of tax returns, management advisory
16 services and the preparation of financial statements without the
17 issuance of reports thereon.

18 (b) The prohibition contained in subsection (a) of this section is
19 applicable to the issuance, by a person or a firm not holding a valid
20 license [and] or permit, of a report using any language conventionally
21 used in the profession by licensees regarding a review of financial
22 statements or with respect to a compilation of financial statements.

23 [(c) The prohibition contained in subsection (a) of this section is
24 applicable to the issuance by a person or a firm not holding a valid
25 license and permit of a report using any language conventionally used
26 in the profession by licensees with respect to a compilation of financial
27 statements.]

28 (c) A person or firm not holding a valid license or permit issued
29 under section 20-281b or 20-281d and section 20-281e shall not be in
30 violation of subsection (b) of this section, if the person or the firm uses
31 the following disclaimer language in connection with the preparation
32 of financial statements:

33 "I (we) have prepared the accompanying (financial statements) of
34 (name of entity or individual) as of (period of time) and for the (period
35 of time) then ended. This presentation is limited to preparing, in the
36 form of financial statements, information that is the representation of
37 management (owners or individual).

38 I (we) have not audited, reviewed or compiled the accompanying
39 financial statements and accordingly do not express an opinion or any
40 other form of assurance on them.

41 I (we) do not hold a valid certified public accountant (CPA) license

42 or permit issued by the state board of accountancy".

43 (d) A person who does not hold a valid registration or license shall
44 not use or assume the title or designation "certified public accountant",
45 or the abbreviation "CPA" or any other title, designation, words,
46 letters, abbreviations, sign card or device tending to indicate that such
47 person is a certified public accountant, provided that a holder of a
48 certificate who does not also hold a license may use the title pertaining
49 to such certification only in the manner permitted by regulations
50 adopted by the board under subdivision (6) of subsection (g) of section
51 20-280.

52 (e) No firm shall assume or use the title or designation "certified
53 public accountant", or the abbreviation "CPA", or any other title,
54 designation, words, letters, abbreviation, sign, card or device tending
55 to indicate that such firm is composed of certified public accountants,
56 unless (1) the firm holds a valid permit issued under section 20-281e,
57 and (2) all proprietors, partners and shareholders practicing public
58 accountancy in this state hold valid certificates and licenses issued
59 under section 20-281d and (3) all proprietors, officers and shareholders
60 of the firm hold licenses.

61 (f) No person shall assume or use the title or designation "public
62 accountant", or the abbreviation "PA", or any other title, designation,
63 words, letters, abbreviation, sign, card or device which tends to
64 indicate that such person is a public accountant unless [he] such
65 person holds a valid license issued under section 20-281b.

66 (g) A firm which does not hold a valid permit issued under section
67 20-281e shall not assume or use the title or designation "public
68 accountant", the abbreviation "PA", or any other title, designation,
69 words, letters, abbreviation, sign, card or device which tends to
70 indicate that such firm is composed of public accountants.

71 (h) A person or firm [which] that does not hold a valid license [and]

72 or permit issued under sections 20-281d and 20-281e shall not assume
73 or use the title or designation "certified accountant", "certified
74 professional accountant", "chartered accountant", "enrolled
75 accountant", "licensed accountant", "registered accountant", "accredited
76 accountant", or any other title or designation likely to be confused with
77 the titles "certified public accountant" or "public accountant" or use any
78 of the abbreviations "CA", "EA", "LA", "RA", "AA" or similar
79 abbreviation likely to be confused with the abbreviations "CPA" or
80 "PA", provided that a holder of a certificate who does not also hold a
81 license may use the titles pertaining to such certificate only in the
82 manner permitted by regulations adopted by the board under
83 subdivision (6) of subsection (g) of section 20-280. This subsection shall
84 not prevent persons designated as "enrolled agents" of the Internal
85 Revenue Service from using such title or the abbreviation "EA".

86 (i) A person or firm [which] that does not hold a valid license [and]
87 or permit issued under section 20-281b or 20-281d and section 20-281e
88 shall not assume or use any title or designation that includes the words
89 "accountant", "auditor" or "accounting" in connection with any other
90 language, including the language of a report, that implies that such
91 person or firm holds such a permit or has special competence as an
92 accountant or auditor, provided this subsection shall not prohibit any
93 officer, partner or employee of any firm or organization from affixing
94 [his] a signature to any statement in reference to the financial affairs of
95 such firm or organization with any wording designating the position,
96 title or office that [he] such officer, partner or employee holds therein,
97 nor prohibit any act of a public official or employee in the performance
98 of [his] such official's or employee's duties as such.

99 (j) A person who holds a certificate shall not engage in the practice
100 of public accountancy unless [he] such person also holds a valid
101 license issued under section 20-281d and a permit issued under section
102 20-281e.

103 (k) A firm which holds a permit under sections 20-279b to 20-281m,
104 inclusive, shall not engage in the practice of public accountancy using
105 a professional or firm name or designation that is misleading about the
106 legal form of the firm, or about the persons who are partners, officers
107 or shareholders of the firm, or about any other matter, provided names
108 of one or more former partners or shareholders may be included in the
109 name of a firm or its successor.

110 (l) None of the foregoing provisions of this section shall apply to
111 any firm holding a certification, designation, degree or license granted
112 in a foreign country entitling the holder thereof to engage in the
113 practice of public accountancy or its equivalent in such country, whose
114 activities in this state are limited to the provision of professional
115 services to persons or firms who are residents of, governments of, or
116 business entities of the country in which [he] the holder holds such
117 entitlement, who issues no reports with respect to the financial
118 statements of any other persons, firms or governmental units in this
119 state, and who does not use in this state any title or designation other
120 than the one under which [he] the holder practices in such country,
121 followed by a translation of such title or designation into the English
122 language, if it is in a different language, and by the name of such
123 country.

124 Sec. 2. This act shall take effect from its passage.

BA *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Affected Agencies: State Board of Accountancy (Office of the Secretary of State)

Municipal Impact: None

Explanation**State Impact:**

Requiring a person or firm without an accounting license or permit to attach specific disclaimer language on certain financial statements they produce which contains language similar to that used by a certified public accountant, has no state or municipal fiscal impact.

OLR Bill Analysis

SB 1067

AN ACT CONCERNING THE DISCLAIMER LANGUAGE THAT MAY BE USED IN THE PREPARATION OF FINANCIAL STATEMENTS BY PERSONS AND FIRMS THAT DO NOT HOLD VALID ACCOUNTING LICENSES AND PERMITS.**SUMMARY:**

This bill allows a person or firm without an accounting license or permit to prepare financial statements containing language similar to that used by a certified public accountant (CPA) if the unlicensed entity attaches specific disclaimer language. The disclaimer must specify the party for whom the entity prepared the statements and the time period they cover. It must also specify that the entity (1) only prepared the statements, using information provided by the management, and (2) does not hold a valid CPA license or permit. The entity must further attest that it did not audit, review, or compile the financial statements, and thus does not express an opinion or assurance about them.

EFFECTIVE DATE: Upon passage

COMMITTEE ACTION

Banks Committee

Joint Favorable Report

Yea 16 Nay 0